[Mr. K. George.]

PRESIDENT: Mr. George will now introduce the Budget Estimate for the year 1098.

FINANCIAL STATEMENT.

MR. K. GEORGE: SIR, I beg to introduce the Budget Estimate for the year 1098. Budgeting this year has been a task of considerable difficulty. Members will observe that the Budget as presented is different in form from those of previous years. To bring out a Budget arranged in such manner as will facilitate discussion and voting, we have had first of all to completely recast the heads of revenue and expenditure. Besides, the division of expenditure into votable and non-votable involved considerable labour and often occasioned much perplexity. Another factor which added greatly to our difficulty was the revisions of salary and staff which the Government have recently sanctioned in most departments. These revisions were undertaken after the departmental heads had submitted their budgets and have gone on even until the last stage of budget preparation. We have as yet no exact information of the pay which the revised staff will receive and have not thus been able to provide the actual amounts required for salaries of officers and establishments in the new year. Consequently, the amounts provided have been calculated on the average cost of the sanctioned appointments. Thus, altogether the preparation and printing of the Budget involved an unusual amount of difficulty and labour and, if there are any defects and errors in it, as very probably there will be, I trust the Council will generously excuse them.

REVIEW OF 10 YEARS.

2. I believe that there is a general impression that expenditure in the State has been growing in recent years out of all proportion to its revenues and the fear is often expressed that we are drifting, consciously or unconsciously, into bankruptcy. The apparently abnormal increase of expenditure during the last 3 years would also seem to justify this charge. I, therefore, think that it will not be out of place to give here a brief review of the State's finances for the past 10 years, *viz.*, from 1087 to 1096. That would cover a pre-war period of 3 years, the period of the war and a post-war period of 3 years. In 1087 our revenue amounted to Rs. 138 lakhs and the expenditure met from revenue to Rs. 135 lakhs leaving a revenue surplus of Rs. 3 lakhs. The revenue and expenditure rose to Rs. 155 lakhs and Rs. 152 lakhs respectively in 1089, leaving us again a revenue surplus of Rs. 3 lakhs. The year 1090, which was the first year of the great war, witnessed a sharp fall of Rs. 6 lakhs in our revenues, but against this there was an increased expenditure of Rs. 10 lakhs. The combined result of both was a large revenue deficit of Rs. 13 lakhs. In 1091 the revenue partially revived and by making drastic cuts in expenditure to the extent of Rs. 17 lakhs we were able to close the year with a surplus of Rs. 7 lakhs to our credit. Between the years 1091 and 1094 the revenue rose by Rs. 29 lakhs (from Rs. 153 lakhs to Rs. 182 lakhs), *i. e.*, at the average rate of Rs. 7¼ lakhs a year. Expenditure did not, however, grow with equal

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rapidity, the increase having been only Rs. 15 lakhs during the period or an average annual increase of Rs. 3¾ lakhs. The total revenue surplus realised during these 4 years amounted to Rs. 43 lakhs. In 1095, the revenue increased only by Rs. 3½ lakhs, but the expenditure suddenly jumped up from Rs. 161 lakhs to Rs. 177 lakhs, *i. e.*, by Rs. 16 lakhs. When we come to 1096, we find that the revenue shows a further increase of Rs. 9 lakhs, but the expenditure went up by another 19 lakhs. The result was that for the first time since 1090, our transactions closed on the wrong side with a deficit of Rs. 1½ lakhs. Thus during the ten years under review the State's revenue rose from Rs. 138 lakhs to Rs. 195 lakhs, *i. e.*, by Rs. 57 lakhs, or 41 per cent.; and the expenditure from Rs 135 lakhs to Rs. 196 lakhs, *i. e.*, by Rs. 61 lakhs or 45 per cent. The total revenue surplus of the 10 years amounted to Rs. 45 lakhs; but against this, we spent during the same period from our general resources a sum of Rs. 53 lakhs on capital works for extending the Railway from Quilon to Trivandrum. The increase of Rs. 57 lakhs under revenue is seen to have been contributed mainly by Excise (Rs. 19 lakhs), Customs (Rs. 10 lakhs), Salt and Stamps (each Rs. 6 lakhs), Education (Rs. 4 lakhs), Land Revenue, Registration and Forest (Rs. 2 lakhs each). These increases may be attributed to the normal development of our resources and the increasing prosperity and buying power of the people. As regards expenditure, the departments and services which have exhibited the largest increases are Education (Rs. 20½ lakhs), Public Works (Rs. 10 lakhs), Judicial (Rs. 3½ lakhs), Police (Rs. 3 lakhs), Medical and Sanitary (Rs. 2¾ lakhs), the Land Revenue Department and Debt services (each Rs. 2½ lakhs), and Forest, Agriculture, Industries and Anchal (each Rs. 2 lakhs). Generally speaking, the increases have been due to the normal expansion of departments and the increased cost of maintaining an efficient administration. In the case of Education, however, the increase of expenditure has been quite phenominal, having risen from Rs. 9½ lakhs in 1087 to Rs. 30 lakhs in 1096.

3. It is now necessary to examine more closely the reasons for the large increase of expenditure to the extent of Rs. 35 lakhs in the years 1095 and 1096 against a corresponding increase of only Rs. 13 lakhs under revenue during the same period. As already stated by me, the Government was confronted with a heavy deficit in 1090. Drastic retrenchments were, therefore, effected in 1091 and the same curtailed scale of expenditure was continued in the three succeeding years, although the departments were in need of more money on account of the large increase in the prices of commodities and the higher rates of wages. In 1095, however, in view of the generally prosperous condition of the State and the steady increase in its revenues, Government decided to give more adequate and liberal allotments for expenditure in the various departments, especially in those which directly contributed to the material advantage of the people In this way, the Public Works Department received an addition of Rs. 5 lakhs, Education of Rs. 2¼ lakhs, and the Development Departments, of Rs. 1 lakh. There was also an increased expenditure of Rs. 3¼ lakhs under Devaswoms which

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[Mr. K. George.]

was unavoidable owing to the high level of the prices of provisions which then obtained. In 1096, the acute distress consequent on the increased cost of living necessitated the grant of relief to the subordinate officers of the Government drawing a salary of Rs. 55 or below and this caused an additional expenditure of Rs. 6 lakhs, inclusive of the amount required for the non-pensionable establishments The two departments which again came in for large increases were Public Works (Rs. 5 lakhs) and Education (Rs. 4 lakhs). The Forest Department also spent Rs. 2¼ lakhs in excess of the expenditure of 1095 on account of the increased cost of felling and transport of timber.

ASSETS AND LIABILITIES.

4. Turning now to the assets and liabilities of the State, the total booked assets of the State in 1087 amounted to Rs. 108 lakhs and the liabilities to Rs. 32 lakhs, leaving an excess of assets over liabilities of Rs. 76 lakhs. The assets were mainly held in cash (Rs. 38 lakhs) and Government of India Promissory Notes (Rs. 61 lakhs). The liabilities consisted chiefly of deposits (Rs. 27 lakhs) and balances of funds (Rs. 1 lakh) held in the Government Treasuries. The assets and liabilities of the State at the close of 1096 were Rs. 160 lakhs and Rs. 95 lakhs respectively, giving an excess of assets over liabilities of Rs. 65 lakhs. Of the assets, Rs. 37 lakhs represent cash in Treasuries and Rs. 101 lakhs investments in Government of India paper, *viz.*, Rs. 78 lakhs from General Revenues and Rs. 23 lakhs from the Sinking Funds. It is, however, necessary to state that out of the investments in Government of India paper from General Revenues, Rs. 51 lakhs belong to the depreciated 3½ per cent. and 3 per cent. securities and are retained in the accounts at their face value and that, if these are written down to their proper market value, our assets will deteriorate by about Rs. 25 lakhs. Of the total liability, Rs. 77 lakhs represent deposits and funds and Rs. 14 lakhs the amount of the State Debenture Loan of 1091.

5. The above figures do not take into account the liability of Rs. 119 lakhs which the State has incurred up to date in the construction of the Shencottah-Quilon Railway for the discharge of which a sinking fund has been created, which amounted to Rs. 23 lakhs at the close of 1096. Nor does it include the investments of the State from General Revenues on reproductive works, *viz.*, Rs. 81 lakhs in the Kodayar Irrigation Works and Rs. 53 lakhs in the Quilon-Trivandrum Railway. The net assets and liabilities of the State inclusive of these will stand as below:—

Assets	...	Rs. 269 lakhs.
Liabilities	...	Rs. 214 lakhs.

Our capital and loan liabilities amount to Rs. 133 lakhs, but sinking funds are provided to liquidate them when they fall due. The funds already amounting to Rs. 28 lakhs are held in safe investments and with the annual provision we make for the purpose in the Budget, these liabilities will, in course of time, disappear.

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